MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

ANNUAL REPORT

For the Year Ended
December 31, 1988

Municipal Financing Corporation of Saskatchewan

Letter of Transmittal

Regina, Saskatchewan
March 23, 1989

To The Honourable Sylvia Fedoruk, O.C., S.O.M.
Lieutenant Governor of the Province of Saskatchewan.

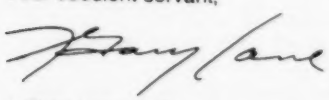
Madam:

I have the honour to submit herewith the annual report of the Municipal Financing Corporation of Saskatchewan for the year ending December 31, 1988, including the financial statements therefore, duly certified by E.J.C. Dudley & Co., the Corporation's external auditors, and in the form approved by the Treasury Board, all in accordance with The Municipal Financing Corporation Act.

I wish to recognize the services of Mrs. Marion Taylor, who retired from the Crown Investments Corporation of Saskatchewan in July 1988. Mrs. Taylor provided many years of dedicated and reliable service to Municipal Financing Corporation of Saskatchewan as part of her duties. Her contributions are greatly appreciated.

I have the honour to be, Madam,

Your obedient servant,



J. Gary Lane, Q.C.
Minister of Finance
and Minister Responsible,
Municipal Financing
Corporation of Saskatchewan.

91-00242/

Municipal Financing Corporation of Saskatchewan

DIRECTORS

Honourable J. Gary Lane, Q.C.,
Chairman

Honourable N. H. Hardy,
Vice-Chairman

Honourable H. J. Swan

Honourable P. Smith

OFFICERS

Mr. W. Davern Jones,
General Manager

Mr. W. D. Baldwin,
Assistant General Manager

Mr. J. L. Wright,
Treasurer

Mr. I. D. Disbery,
Secretary to the Board

Municipal Financing Corporation of Saskatchewan

Annual Report 1988

The Municipal Financing Corporation of Saskatchewan was established to assist in making capital funds available for the financing of school, hospital and other essential construction and local improvement projects in cities, towns, villages and rural areas throughout the Province. The Corporation may borrow directly from private lending institutions or through the Department of Finance. The Corporation uses the funds borrowed to purchase a portion of the authorized debentures sold each year by Saskatchewan local governments.

During the year under review, the Corporation participated in the financing of 56 projects throughout Saskatchewan by purchasing $26.6 million of municipal debentures. At year end, the Corporation had outstanding commitments to purchase a further $2.425 million upon delivery of the debentures. The Corporation recorded net earnings of $2.797 million for 1988 compared to net earnings of $2.634 million for 1987.

The Corporation's debenture holdings at December 31, 1988 totalled $148.6 million, up $18.1 million from the total at December 31, 1987.

The Municipal Financing Corporation of Saskatchewan is administered by a Board of Directors through use of staff and facilities provided by the Department of Finance and the Crown Investments Corporation of Saskatchewan (CIC). The Corporation paid $26 thousand in 1988 for reimbursement of the costs to CIC of providing administrative services as well as for audit fees. The Municipal Financing Corporation of Saskatchewan made no payments to the Department of Finance for administrative charges. The Directors do not receive fees and, with the exception of interest paid on borrowed funds, the Corporation had no other expenses in the current year. A table showing results of operations for the year under review, as compared to the previous year, is set out on page 4. A detailed listing of debenture purchases in the current year is presented in schedular form on page 5.

Municipal Financing Corporation of Saskatchewan

Comparative Table of Operations

For the Year Ended December 31

	1988	1987
	(thousands of dollars)	
Amount of debentures approved by the Corporation (net of subsequent reductions)	$ 23,211	$ 13,568
Prior year's purchase commitments carried forward	5,819	3,511
Total purchase commitments for the year	29,030	17,079
Purchases completed	(26,605)	(11,260)
Purchase commitments outstanding at the year end	$ 2,425	$ 5,819

Municipal Financing Corporation of Saskatchewan

Debentures Purchased in 1988

(in thousands of dollars)

Arcola School Division No. 72	$ 35
Battle River School Division No. 60	1,088
Buffalo Plains School Division No. 21	911
Buffalo Plains School Division No. 21	199
Canora School Division No. 37	479
City of Estevan	1,422
City of Estevan	296
City of Prince Albert	85
City of Prince Albert	1,204
City of Regina	542
City of Saskatoon	949
City of Saskatoon	97
Davidson School Division No. 31	789
Gull Lake School Division No. 76	193
Herbert School Division No. 79	520
Humboldt Rural School Division No. 47	617
Humboldt School Division No. 104	550
Kerrobert School Division No. 44	662
Long Lake School Division No. 30	168
Moosomin School Division No. 9	151
North Battleford School Division No. 103	568
Northern Lakes School Division No. 64	537
Northern Lights School Division No. 113	682
Northern Lights School Division No. 113	272
Northern Lights School Division No. 113	467
Northern Lights School Division No. 113	781
Prairie View School Division No. 74	52
Prince Albert School Division No. 3	1,231
Regina East School Division No. 77	255
Regina East School Division No. 77	165
Regina Roman Catholic Separate School Division No. 81	680
Regina School Division No. 4	1,215
Rosetown School Division No. 43	313
Rosetown School Division No. 43	401
Saskatoon School Division No. 13	1,352
Saskatoon School Division No. 13	1,389
Shamrock School Division No. 38	790
Shaunavon School Division No. 71	270
St. Paul's Roman Catholic Separate School Division No. 20	272
St. Paul's Roman Catholic Separate School Division No. 20	1,161
Swift Current Rural School Division No. 75	665
Town of Fort Qu'Appelle	175
Town of Gravelbourg	175
Town of Indian Head	121
Town of Kindersley	53
Town of Martensville	124
Town of Moosomin	110
Town of Regina Beach	29
Town of Tisdale	118
Town of Watson	123
Town of Whitewood	45
Unity Roman Catholic Separate School Division No. 88	280
Village of Coleville	72
Village of Tompkins	80
Yorkdale School Division No. 36	210
Yorkton Roman Catholic Separate School Division No. 86	415
	$ 26,605

Municipal Financing Corporation of Saskatchewan

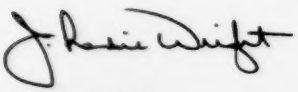
Management's Responsibility for Financial Reporting in the Annual Report

Management has prepared the financial statements of the Municipal Financing Corporation of Saskatchewan in accordance with generally accepted accounting principles applied on a consistent basis with that of the previous year. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

E.J.C. Dudley & Co., the Corporation's external auditors, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.



J. Leslie Wright
Treasurer

Municipal Financing Corporation of Saskatchewan

Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of financial position of the Municipal Financing Corporation of Saskatchewan as at December 31, 1988 and the statements of operations and reinvested earnings and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan
February 9, 1989

E.J.C. Dudley & Co.,
Chartered Accountants.

Municipal Financing Corporation of Saskatchewan

Statement of Financial Position

As at December 31

Assets	1988	1987
	(thousands of dollars)	
Current Assets:		
Cash	$ 166	$ 700
Interest receivable	6,941	6,301
	7,107	7,001
Investments in municipal debentures, at amortized cost (Market value 1988 - $154,705; 1987 - $149,566)	148,567	130,499
Debt issue costs	665	1,054
	$156,339	$138,554
Liabilities and Province's Equity		
Current Liabilities:		
Notes payable - Province of Saskatchewan	$ 37,500	$ 19,000
Accounts payable and accrued liabilities	4,836	4,848
Debentures payable within one year	8,500	3,500
	50,836	27,348
Long-term debentures payable (Note 3)	96,724	105,224
Commitments (Note 4)		
Province of Saskatchewan's Equity:		
Reinvested earnings	8,779	5,982
	$156,339	$138,554

(See accompanying notes)

Municipal Financing Corporation of Saskatchewan

Statement of Operations and Reinvested Earnings

For the Year Ended December 31

	1988	1987
	(thousands of dollars)	
Revenue		
Investment income	$ 17,703	$ 16,703
Expenses		
Interest on long-term debt	11,888	12,217
Interest on short-term debt	2,603	1,440
Amortization of debt issue costs	389	388
Administration	26	24
	14,906	14,069
Net earnings	2,797	2,634
Reinvested earnings, beginning of year	5,982	3,348
Reinvested earnings, end of year	$ 8,779	$ 5,982

(See accompanying notes)

Municipal Financing Corporation of Saskatchewan

Statement of Cash Flows

For the Year Ended December 31

	1988	1987
	(thousands of dollars)	
Cash provided by (used in) operating activities		
Net earnings	$ 2,797	$ 2,634
Add charges to operations not requiring a current cash payment:		
Amortization of discounts and premiums	25	20
Amortization of debt issue costs	389	388
	3,211	3,042
Net change in non-cash working capital balances related to operations*	(652)	38
Cash provided by operating activities	2,559	3,080
Cash provided by (used in) investment activities		
Purchase of municipal debentures	(26,559)	(11,291)
Proceeds from maturing municipal debentures	8,466	8,037
Cash used in investment activities	(18,093)	(3,254)
Cash provided by (used in) financing activities		
Additions to notes payable-Province of Saskatchewan	18,500	3,500
Repayment of long-term debt	(3,500)	(3,000)
Cash provided by financing activities	15,000	500
Net increase (decrease) in cash during the year	(534)	326
Cash position, beginning of year	700	374
Cash position, end of year	$ 166	$ 700
*Net change in non-cash working capital balances related to operations		
(Increase) decrease in interest receivable	$ (640)	$ 59
Increase (decrease) in accounts payable	(12)	(21)
	$ (652)	$ 38

(See accompanying notes)

Notes to Financial Statements

December 31, 1988

1. **Accounting Policies**

The Corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Investments in Municipal Debentures

Investments in municipal debentures are carried at amortized cost. The Corporation often purchases debentures at a premium or discount where the interest rate yield required by the Corporation varies from the coupon interest rate offered by the local governments. A portion of the outstanding premiums and discounts is amortized each year against interest income using the straight-line method. In this way effective income derived from each debenture is adjusted to equal the Corporation's required yield for that debenture to its maturity. This policy is only effected where the premium or discount, at the time of purchase, exceeds $250.

Debt Issue Costs

Debt issue costs are carried at cost less accumulated amortization to date. Debt issue costs are being amortized on a straight-line basis over the life of the related debt.

2. **Status of Corporation**

The Municipal Financing Corporation was established in 1969 pursuant to the provisions of The Municipal Financing Corporation Act.

3. **Long Term Debentures Payable**

Series	Year of Repayment	Interest Rate	1988	1987
			(thousands of dollars)	
6	1988	9 1/8	$ -	$ 1,000
11	1988	12	-	2,500
3	1989	9 7/8	1,000	1,000
4	1989	9 3/4	1,000	1,000
9	1989	11 3/4	2,000	2,000
11	1989	12	2,500	2,500
10	1989	15 7/8	2,000	2,000
	1990	7 4/10	28,014	28,014
9	1990	11 3/4	1,000	1,000
11	1990	12 3/4	4,000	4,000
6	1990	9 1/4	2,000	2,000
10	1990	15 7/8	2,000	2,000
5	1991	9 1/2	1,000	1,000
3	1991	9 7/8	1,000	1,000
10	1991	15 7/8	5,000	5,000
3	1992	9 7/8	1,000	1,000
7	1992	9 1/8	1,000	1,000
5	1992	9 1/2	1,000	1,000
10	1992	15 7/8	3,000	3,000
	1992	10 3/4	26,710	26,710
8	1993	9 5/8	1,000	1,000
4	1993	9 3/4	2,000	2,000
4	1994	9 3/4	1,000	1,000

3. Long Term Debentures Payable - *continued*

Series	Year of Repayment	Interest Rate	1988	1987
			(thousands of dollars)	
7	1994	9 1/4	1,000	1,000
8	1994	9 5/8	1,000	1,000
5	1994	9 5/8	1,000	1,000
7	1995	9 1/4	1,000	1,000
6	1995	9 1/2	1,000	1,000
8	1995	9 5/8	1,000	1,000
8	1996	9 5/8	1,000	1,000
5	1996	9 3/4	1,000	1,000
8	1997	9 5/8	1,000	1,000
5	1997	9 3/4	1,000	1,000
11	1997	12 3/4	1,500	1,500
9	1999	12	1,000	1,000
9	2000	12	1,000	1,000
11	2002	12 7/8	2,500	2,500
			105,224	108,724
Repayment required within one year			8,500	3,500
Net long-term debentures payable			$ 96,724	$ 105,224

Principal payments due on long-term debt for the next five years are as follows (in thousands of dollars):

1989	$ 8,500
1990	37,014
1991	7,000
1992	32,710
1993	3,000

4. **Commitments**

Prior to December 31, 1988 the Board of Directors had approved the purchase of debentures from certain local governments of which $2.425 million were not purchased before the year-end.

5. **Related Party Transactions**

Included in these financial statements are expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to related parties and the terms of settlement are described separately in the financial statements and the notes thereto.